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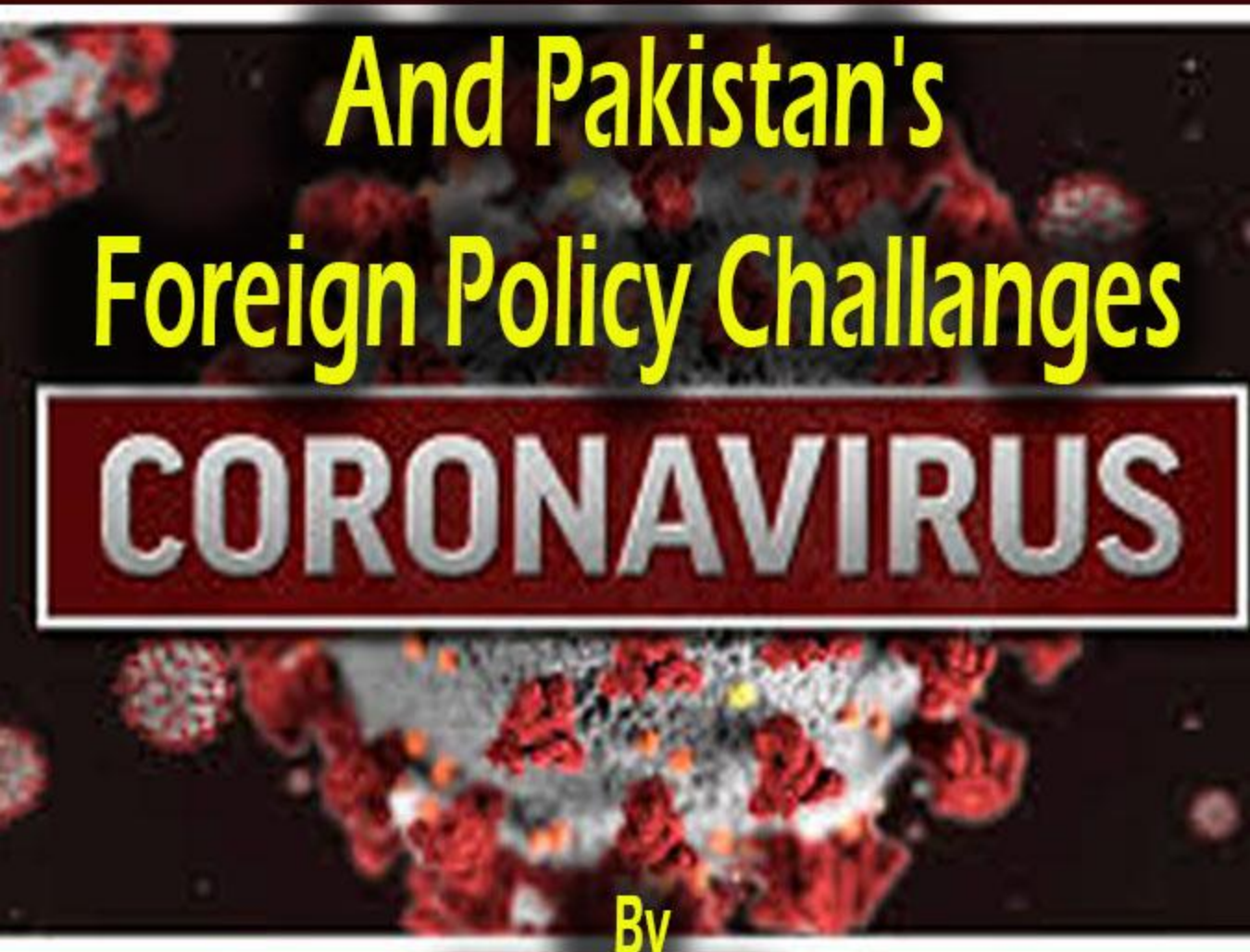
COVID-19



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COVID-19 AND PAKISTAN'S FOREIGN POLICY CHALLENGES

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Following and even before the World Health Organization (WHO) formally declared Covid-19 as a pandemic, restrictive measures such as lockdowns have been declared all over the world in order to contain the contagion. As of May 13, over 4 million cases have been recorded with a death toll of over 294,487. The numbers are increasing with no end in sight. Covid-19 is an unparalleled, severe health and economic crisis. It is unique in nature because of two main things. Firstly, it is an amalgamation of a health pandemic, while bearing all the signs of an economic crisis. Secondly, its effects on both the demand and supply side of all economies, regardless of their nature are shocking.

The global impact of Covid-19 can be classified into three groups: human suffering, severe global recession, and soaring unemployment due to financial and corporate sector hardships. Given the way it has hurt both public and private sector businesses, created rapid aversion among investors and placed all major financial bodies under stress, the world is on track to bear witness to a global regression the likes of which have not been seen since World War II.

The World Bank has called this epidemic a 'perfect storm' for the South Asian region. In order to slow the spread of the virus, countries in South Asia have implemented mandatory quarantines/lockdowns/ curfews along with taking all measures they can with the purpose of enabling their health systems to cope with anticipated overloads.

A World Bank report estimates that regional growth for South Asia will fall to a range between 1.8 and 2.8 percent in 2020, down from 6.3 percent projected six months ago.2 As with the rest of the world, tourism has come to a halt, distribution chains have been disrupted and inflows and outflows of capital have been paused, with no projection of resumption in sight. Furthermore, the inflow of remittances, which are a significant part of all South Asian economies, has been discontinued to a vast extent. Moreover, the hard truth is that because of the prevalent inequality in this region, it is highly probable that the people at the low end of the spectrum will be the most severely affected. Primarily so, because implementation of social distancing for them is difficult. This along with a lack of access to basic health facilities, loss of jobs and spike in food prices means that thousands of people will be further pushed below the poverty line.

In prevision of this crisis, governments in India, Pakistan, and Bangladesh have already approved stimulus packages geared towards support for the most disadvantaged classes in their countries. These are in conjunction with emergency funding for businesses to cope with the current crisis.

Pakistan and Covid-19

On February 26, Pakistan recorded its first case of the coronavirus. As of May 13, there were 35,303 confirmed cases with 761 deaths. Similar to many other countries, the Pakistan Government has been enforcing various forms of lockdown. While Karachi faces the strictest actions in the entire country, cities in other provinces have implemented less stringent measures. The reason being a complete nationwide lockdown would have deep-seated economic ramifications which the country will not be able to handle.

Disruptions caused by Covid-19 have placed an unprecedented strain on the country's economic activity, thereby putting pressure on Pakistan's fiscal position. The State Bank has adjusted GDP growth from an earlier estimate of 3.5 percent to 3 percent. Meanwhile, the Asian Development Bank has also decreased Pakistan's projected growth rate from 2.9 percent to 2.6 percent. Official evaluations approximate an early loss of PKR 2.5 trillion with expected layoffs between 12.3 to 18.5 million people.

In Pakistan, almost 25 percent live below the poverty line. Many people are daily wage earners, whose means of income has been completely stopped because of the lockdown. The large number of repatriates from the Gulf will only add to the unemployment figures. The International Monetary Fund has already estimated the unemployment rate projection for the country to be 6.2 per cent for 2020. Moreover, remittances make up 86 percent of the secondary income balance of the country. According to official sources, foreign remittances have already halved in the past two months and are anticipated to decrease by $1 billion to $1.5 billion per year if the situation persists. Ten to eleven thousand households are expected to be directly affected.

In order to fight the pandemic, the government set up a National Command and Operation Center (NCOC) at the start of April. Additionally, in an appeal to international monetary institutions and community on April 12, Prime Minister Imran Khan unfolded his "Global Initiative on Debt Relief" for developing countries including Pakistan, to meet the unprecedented health and economic challenges posed by the pandemic. UN Secretary General, Antonio Guterres' was quick to support the Prime Minister's initiative terming it an important part of the response to the coronavirus pandemic. Furthermore, the government is also set to launch 'We Care' drive for protection of medical personnel. The aim of this campaign will be to bridge gaps between hospital administrations and the government and will also include the provision of protective equipment, training, counselling and stress management facilities. In a major diplomatic outreach, Foreign Minister Shah Mahmood Qureshi and Pakistan embassies across the world have approached the heads of States and international monetary institutions to join Pakistan in this initiative. Moreover, in order to facilitate the repatriation of Pakistani workers from around the world. A Crisis Management Unit within the Ministry of Foreign Affairs has also been formed.

Impact of Covid-19 on Pakistan's Foreign Policy Choices

- Given that unilateralism is on the ascendant, and multilateralism losing relevance, the world could move more towards regionalism. Consolidating Pakistan's economic relations with China will assume further significance.
- Indian government has used Covid-19 to enhance its repression in Indian Occupied Kashmir (IoK). Moreover, a systematic profiling of Indian Muslims is creating a dangerous environment that could morph into genocide or mass killing of the Muslims in India. Even though, a number of sane voices have appeared, some from the Gulf and some from within India exposing BJP's true face, this has not been enough to stop the Modi government's brutalities.

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- Peace in Afghanistan is also of crucial value. Neither Pakistan nor our region can afford a civil war in Afghanistan and its attendant consequence of more refugee flows towards Pakistan. The Government of Pakistan should continue to reiterate its stance, especially in the light of the brutal terrorist attacks that have taken place in Afghanistan recently.
- In view of the massive influx of repatriates, one big challenge the Government of Pakistan faces, is the retention of jobs and extension of visas for overseas Pakistanis, especially in the Gulf. This also brings into question the extreme dependency, Pakistan places on remittances from the Gulf.
- The return of pilgrims from Iran has caused initial spread of the virus. Officials are said to blame Iran for 80 percent of the disease spread.9 Geographical proximity and the need for a peaceful neighborhood, however, require that this factor should not be further amplified more than what it is and smooth things out with Iran. As it is, increasingly the transmission of the disease is local. Moreover, the ironing out of any tensions between the two countries is important, given that Chief of the Army Staff General Qamar Javed Bajwa on May 12 spoke to his Iranian counterpart regarding the latter's cooperation in dealing with Baloch militants allegedly operating from Iranian soil.
- Pakistan has little fiscal space to support its huge population, catering to their basic needs. According to a World Bank report, Pakistan and Sri Lanka would be the worst affected countries in this pandemic.10Managing our debt profile is necessary. The initiative of the government on debt relief was timely and well appreciated. The debt relief for one year is welcomed. However, servicing of debt would remain a challenge.
- Export orders have mostly been cancelled or pended. An urgent shift would be required by our manufacturers towards what our market needs at this time rather than importing it. This is an opportune time to accord incentives to domestic manufacturing, with necessary protections against cheaper imports.
- Dependence on technology has increased manifold. That also means yet greater dependence on the technologically developed countries. Hence, need for greater technological education and development at home.

Choices

In the given circumstances, Pakistan should continue to endorse global efforts to combat the Covid19 pandemic, promote collective efforts within the regional forums like OIC and SAARC, practice livelihood-centered economic policies, and work on strengthening bilateral relations with regional countries.

Overseas Pakistanis

I. The Government has done a commendable job in repatriating our overseas Pakistanis. However, we need to develop a health security strategy for migrants so as to safeguard the overall health of emigrants upon their return to Pakistan. In due course, a strategy would be required to absorb this workforce into our economy, especially if the oil glut continues and Gulf countries continue their layoffs.

II. On May 2 190 out of 483 passengers who were brought to Karachi through special flights from Dubai, Sharjah and Colombo and on May 4, 105 passengers repatriated from UAE to Pakistan test positive for Covid-19.11 Hence, it is important that the Government of Pakistan engage with foreign governments to first check all passengers who are meant to

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fly out and second in the event that they test positive for Covid19, they should be facilitated in the country where they are presently.

III. The foreign office with assistance from all concerned ministries should ensure minimum job loss of overseas Pakistanis by engaging and cooperating with foreign governments, in the Gulf and Europe.

IV. Government and relevant departments should encourage and facilitate cottage industries in improving their production to meet local demands by import substitution. Cottage industries are an important component of Pakistan's economy and would help in rehabilitating the returnees. There is a need for sound policies, secure financial & legal environment to stimulate investment & other capital inflows in this regard.

Economy

V. Pakistan should continue to lobby for prime minister's initiative for debt relief and coordinate with other developing countries to strengthen support for the voices calling for further debt relief. The IMF under its Rapid Financing Instrument (RFI) scheme approved a loan of $1.4 billion for Pakistan in addition to giving Pakistan $1.5 billion relief in the form of delay in repayment of loans to bilateral creditors.12 However, our economy will require a longer term economic reprieve and debt relief since one of the biggest problems Pakistan faces is lack of fiscal space.

VI. One major issue for Pakistan would be unemployment. The projects under the China-Pakistan Economic Corridor (CPEC) assume critical importance, in terms of providing jobs and income. Overall bilateral relations with China are now more important than ever. The Pakistan Government should also seek relaxation in payments that are due to China for bilateral debt and repatriation of profits on CPEC projects. Additional support from China will further boost Pakistan's economic recovery in the months to come.

VII. Economic diplomacy may require a whole new approach. Since world is likely to face a massive recession if not regression, Pakistan would need to evolve its own economic solutions to its economic problems. Focus should be much more on domestic manufacturing with enough state protections for import substitution.

VIII. New technologies (artificial intelligence, big data computing, drones, etc.) would emerge as the key tool to not only improve health infrastructure but also influence the entire spectrum of how businesses would be run in our country and the world at large. While adapting to new technologies, the Pakistan Government should also build in-house technological resource base. Total reliance on West-based technological tools is not recommended.

IX. Relations with the US are showing some signs of improvement. Apart from working together on Afghanistan, the US officials have stated that Pakistan has been placed among the 'high- priority' countries that will receive US assistance for helping contain the outbreak of Covid-19.Investments into Pakistan by corporate America and especially by our own diaspora in the US should be attracted.

X. Given that work from home is the 'new normal' at the moment, the requirement for effective software has increased significantly. Hence, the Pakistan Government should seek to engage with countries with a stronger IT sector, in order to strengthen its own software industry.

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FATF

XI. Amid the Covid19 crisis, the FATF has given Pakistan an extension for another three months.14 The next review process is expected to take place in September 2020. Pakistan should reach out for diplomatic assistance from China, Turkey, Malaysia, and other friendly countries well ahead of time.

Kashmir

XII. Despite the threat at hand in the form of a pandemic, India is still adamantly pursuing its Hindutva policies in occupied Kashmir. This provides an ideal opportunity for the Pakistan Government to continue to highlight Indian atrocities in IoK in order to awaken the world conscience. In this regard, it is important to take like-minded countries on board to jointly raise the issue at the global platforms. This will help build pressure on the Modi regime to stop brutalities in occupied Kashmir.

XIII. An equally worrying aspect of BJP rule in India is the consistent discrimination, lynching, and profiling of Indian Muslims. Terms like 'corona jihad' have been coined to demonize Muslims. A systematic cultural environment is being created that could instigate extremist Hindus to start targeting Muslims on a larger scale. The Government of Pakistan must highlight sane voices from within and outside India that are exposing the Hindu fascism agenda of Modi regime. Even though the Organization of Islamic Cooperation (OIC) issued a statement April 20 urging the Indian government to take note of the atrocities against Muslims in India, a lot more still needs to be done not only from the OIC but from all multilateral organizations.

Health Diplomacy

XIV. Pakistan has launched Pakistan's Preparedness and Response Plan (PPRP), which is a welcome step to strengthen Pakistan's capacity in emergency prevention, preparedness, response and relief, and building health systems up to December 2020. Necessary international collaboration and reach out through diplomatic channels will ensure success of the initiative.

XV. Experts have warned that a second phase of Covid19 is expected in fall/winter 2020. Keeping this in mind, this is a good opportunity to seek technological cooperation with China, South Korea, Taiwan and Singapore in tracking, identifying and combatting the pandemic.

XVI. Islamabad should ask those countries that have successfully dealt with the pandemic to invest in Pakistan's technological efforts to contain the spread of the virus through surveillance technology, 5G imaging, and so on. Later, Pakistan might expand its technological cooperation with these countries in other areas.

XVII. All concerned bodies such as NDMA, Ministry of Health, Ministry of Foreign Affairs and Ministry of Commerce in Pakistan should collaborate and exercise effective health diplomacy to specify places from where ventilators, nebulizers, PPEs and other required equipment can be procured. A better option of course remains manufacturing them right here in Pakistan.

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XVIII. The government could facilitate lab-to-lab cooperation with countries which are currently undertaking vaccine testing. If the second phase of Covid 19 comes, these cooperative arrangements will be useful.

XIX. In case there is a second phase of Covid-19, Pakistan should be well-prepared to enforce SOPs for a stricter lockdown while ensuring financial relief for most vulnerable segment of the population.

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